PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

July 8, 2015

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

RE: Docket UE-051090—Compliance Filing

Pacific Power & Light Company, a division of PacifiCorp (Company), provides this credit report in compliance with Order 07 in docket UE-051090 issued on February 22, 2006, and amended in Order 08 on March 10, 2006.

The Company committed to providing credit rating agency news releases and final reports to Washington Utilities and Transportation Commission staff and Public Counsel on an informational basis in Commitment Wa21, as adopted by the above-referenced orders. This credit report is being provided in accordance with Commitment Wa21.

Please direct informal questions to Ariel Son, Manager, Regulatory Projects, at (503) 813-5410.

Sincerely,

Bruce Williams
Vice President and Treasurer

Enclosures

cc: Tom Schooley, WUTC
Simon ffitch, Public Counsel

PacifiCorp

A Subsidiary of Berkshire Hathaway Energy
Full Rating Report

Ratings

Long-Term IDR	BBB+
Senior Unsecured	A–

IDR – Issuer Default Rating.

Rating Outlook

Long-Term IDR	Positive

Financial Summary

PacifiCorp

	LTM 3/31/15	2014
Adjusted Revenue	5,214	5,252
Operating EBITDAR	2,034	2,042
Cash Flow from Operations	1,570	1,570
Total Adjusted Debt	7,310	7,120
Total Capitalization	14,703	14,829
Capex/ Depreciation (%)	1.4	1.5
FFO Fixed-Charge Coverage (x)	5.0	5.0
FFO-Adjusted Leverage (x)	3.7	3.6
Total Adjusted Debt/EBITDAR (x)	3.6	3.5

Related Research

U.S. Transmission and Distribution Utilities Handbook (A Detailed Review of Electric and Gas T&D Utilities) (May 2015)

U.S. Utilities, Power and Gas: Ratings Navigator Companion (February 2015)

Analysts

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Key Rating Drivers

Strong Credit Metrics: PacifiCorp's (PPW) 'BBB+' Issuer Default Rating (IDR) and Positive Rating Outlook reflect the utility's strong credit metrics, supported by rate increases granted by state regulators in recent years to recover its large, historic capex. The ratings and outlook also consider PPW's relatively low business risk, more manageable prospective capex, a competitive resource base and below-industry-average retail rates. Fitch estimates 2015–2019 FFO coverage ratios of 4.8x or higher and leverage ratios of 4.0x or lower.

Lower Capex: PPW's annual capex is expected to average $842 million during the 2015–2017 period, significantly lower than the average annual run rate of approximately $1.065 billion in 2013 and 2014 and peak investment levels of $1.5 billion per year seen in 2010–2012. Given the sharply lower trend in 2015–2017 capex, Fitch expects cash flow to be slightly negative on average after capex and dividends. Lower capex is expected by Fitch to mitigate upward pressure on retail customer rates.

Constructive Regulation: Regulation across PPW's multistate service territory is generally stable and balanced, in Fitch's view, supporting its credit ratings and Positive Rating Outlook. An unexpected, meaningful and sustained deterioration in regulatory oversight would likely trigger adverse rating actions.

Ownership Structure: PPW's credit profile benefits from affiliation with Berkshire Hathaway Energy (BHE). Ownership of BHE by Berkshire Hathaway Inc. (BRK, AA–/Stable) provides the former with greater flexibility to manage utility subsidiary capital structures and liquidity because there is no dividend payment to ultimate parent BRK from BHE. PPW is ring-fenced to preserve its stand-alone credit profile.

Rating Outlook: The Positive Rating Outlook considers PPW's relatively predictable earnings and cash flows, strong credit metrics and generally supportive tariff regimes across its six-state service territory.

Rating Sensitivities

Positive Rating Action: Sustained PPW earnings and FFO leverage ratios below 3.4x and 4.0x, respectively, along with continued efficient operating performance and balanced regulation could trigger future credit rating upgrades.

Negative Rating Action: Unexpected deterioration across key PPW regulatory jurisdictions and/or a prolonged plant outage or other event causing PPW's FFO-adjusted leverage to rise above 5.0x and EBITDA leverage above 3.75x on a sustained basis could trigger negative rating actions.

Financial Overview

Liquidity and Debt Structure

PPW's liquidity position at March 31, 2015, was $796 million, including $12 million in available cash and remaining borrowing capacity of $784 million under its credit facilities. PPW's stand-alone borrowing capacity under its revolving credit facilities totals $1.2 billion and is composed of two separate facilities equally sized at $600 million maturing 2017 and 2018.

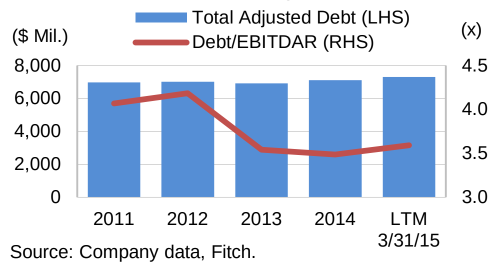
Debt Maturities and Liquidity

($ Mil., as of March 31, 2015)

2015	137
2016	62
2017	62
2018	592
Thereafter	6,241
Cash and Cash Equivalents	12
Undrawn Committed Facilities	784

Source: Company data, Fitch.

Total Debt and Leverage

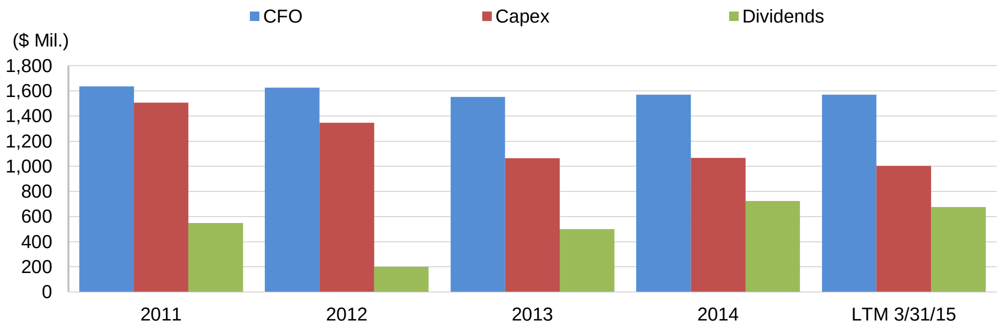


Source: Company data, Fitch.

Cash Flow Analysis

As indicated in the chart below, PPW was moderately FCF-negative during 2011–2014, owing primarily to the utility's large capex program. PPW's capex averaged $1.2 billion per year during 2011–2014. Over the same time horizon, PPW's average annual utility FFO totaled $1.5 billion. Factoring in dividends, FCF deficit averaged $145 million per year, or 12% of average annual 2011–2014 capex. PPW's annual 2015–2017 capex run rate is estimated at $842 million per year on average.

CFO and Cash Use



Source: Company data, Fitch.

Related Criteria

Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage (May 2014)

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 2014)

Recovery Ratings and Notching Criteria for Utilities (November 2013)

Parent and Subsidiary Rating Linkage Fitch's Approach to Rating Entities within a Corporate Group Structure (August 2013)

Peer and Sector Analysis

Peer Group

Issuer	Country
A–	
Arizona Public Service Co.	United States
Public Service Company of Colorado	United States
Southern California Edison Company	United States

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
April 24, 2015	BBB+	Positive
Oct. 3, 2014	BBB+	Positive
April 7, 2014	BBB	Stable
Sept. 16, 2013	BBB	Stable
Sept. 17, 2012	BBB	Stable
Sept. 29, 2011	BBB	Stable
Oct. 1, 2010	BBB	Stable
Oct. 2, 2009	BBB	Stable
Aug. 13, 2008	BBB	Stable
July 13, 2007	BBB	Stable
Jan. 31, 2006	BBB	Stable
Dec. 6, 2005	BBB+	Stable
May 24, 2005	A–	Stable
Oct. 5, 2004	A–	Stable
May 24, 1995	A–	Stable

LT IDR – Long-term Issuer Default Rating.
FC – Foreign currency.
Source: Fitch.

Peer Group Analysis

($ Mil.)	PacifiCorp	Arizona Public Service Co.	Public Service Company of Colorado	Southern California Edison Company
As of	03/31/15	03/31/15	12/31/14	12/31/14
IDR	BBB+	A–	A–	A–
Outlook	Rating Outlook Positive	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable
Fundamental Ratios (x)				
Operating EBITDAR/ (Gross Interest Expense + Rents)	5.15	6.17	6.37	6.88
FFO Fixed-Charge Coverage	4.96	6.00	6.93	7.20
Total Adjusted Debt/Operating EBITDAR	3.59	2.79	3.63	2.75
FFO/Total Adjusted Debt (%)	26.8	34.8	30.0	38.0
FFO-Adjusted Leverage	3.73	2.88	3.33	2.63
Common Dividend Payout (%)	99.7	61.0	95.4	41.3
Internal Cash/Capex (%)	89.1	78.7	48.2	81.9
Capex/Depreciation (%)	136.4	214.2	293.9	238.6
Return on Equity (%)	9.1	9.5	9.4	14.2
Financial Information				
Revenue	5,214	3,474	4,383	12,964
Revenue Growth (%)	0.2	0.7	4.3	0.8
EBITDA	2,018	1,268	1,181	4,442
Operating EBITDA Margin (%)	36.9	29.1	26.9	40.4
FCF	(109)	(187)	(600)	(765)
Total Adjusted Debt with Equity Credit	7,310	3,585	4,341	12,499
Cash and Cash Equivalents	12	6	8	36
Funds Flow from Operations	1,565	1,039	1,114	4,094
Capex	(1,004)	(934)	(1,114)	(4,230)

IDR – Issuer Default Rating.
Source: Company data, Fitch.

Key Rating Issues

Constructive Regulation

Regulatory outcomes across PPW's multistate service territory have been and are expected to continue to be balanced, with the notable exception of Washington. PPW operates in six states: Utah, Wyoming, Idaho, Oregon, Washington and California. Various riders are in place to facilitate recovery of certain costs outside of general rate case proceedings, including fuel adjustment clauses that mitigate commodity price exposure in all of PPW's regulatory jurisdictions.

PPW filed a general rate case with the Wyoming Public Service Commission (WPSC) in March 2015 requesting a $32 million (5%) rate increase. The requested rate hike is based on a 9.85% authorized return on equity (ROE) and a 51.4% equity ratio. In its previous rate case, the WPSC granted PPW a $20.2 million rate increase based on a below-industry-average 9.5% authorized ROE. The December 2014 WPSC authorized rate increase represented approximately 62% of the company supported $32.6 million rate increase rate increase request. PPW filed the rate case in March 2014. In Fitch's opinion, the WPSC order provides the company with a reasonable opportunity to earn its authorized ROE and is credit-neutral, notwithstanding the below-industry-average ROE authorized by the commission.

Recent rulings by the Washington Utilities and Transportation Commission (WUTC) in PPW general rate cases in March 2015 and December 2013 were notably unfavorable for investors. The WUTC orders disallowed costs related to purchased power from qualifying facilities located outside the state of Washington and authorized a below-industry-average 9.5% ROE. In its March 2015 order, the WUTC authorized a rate increase of $9.6 million, 32% of the $30.4 million requested by PPW in the proceeding. PPW has appealed both WUTC orders.

Fitch notes that Washington is a relatively small slice of PPW's operations, representing approximately 8% of consolidated 2014 kilowatt hour (kWh) sales. By comparison, Utah, Oregon and Wyoming represent 44%, 24% and 17% of kWh sales, respectively. Regulatory outcomes across the remainder of PPW's service territory have been and are expected to continue to be balanced.

Declining Capex Trend

PPW's annual capex was essentially flat in 2014 and 2013 at $1.065 billion and $1.066 billion, respectively, 21% below 2012 capex of $1.346 billion. Capex averaged $1.5 billion per year in 2010–2012. Projected 2015–2017 capex approximates $842 million per year on average, more than 40% below PPW's $1.5 billion 2010–2012 capex. Meaningfully lower projected PPW capex reflects completion of large capital projects, including major transmission and renewables investment in the past several years. In addition, capex incorporates slower PPW service territory load growth and efforts by management to minimize customer rate increases. Efforts by management to minimize customer rate increases while maintaining system reliability, safety and customer service have resulted in generally flat O&M expense.

Slowing PPW service territory load growth trends are driven primarily, in Fitch's view, by energy efficiency gains and are a source of some uncertainty along with the impact of environmental rules and regulations on PPW's coal-fired generation. Fitch believes these dynamics are manageable within the regulatory compact and unlikely to meaningfully weaken PPW's creditworthiness in the near to intermediate term.

California Independent System Operator

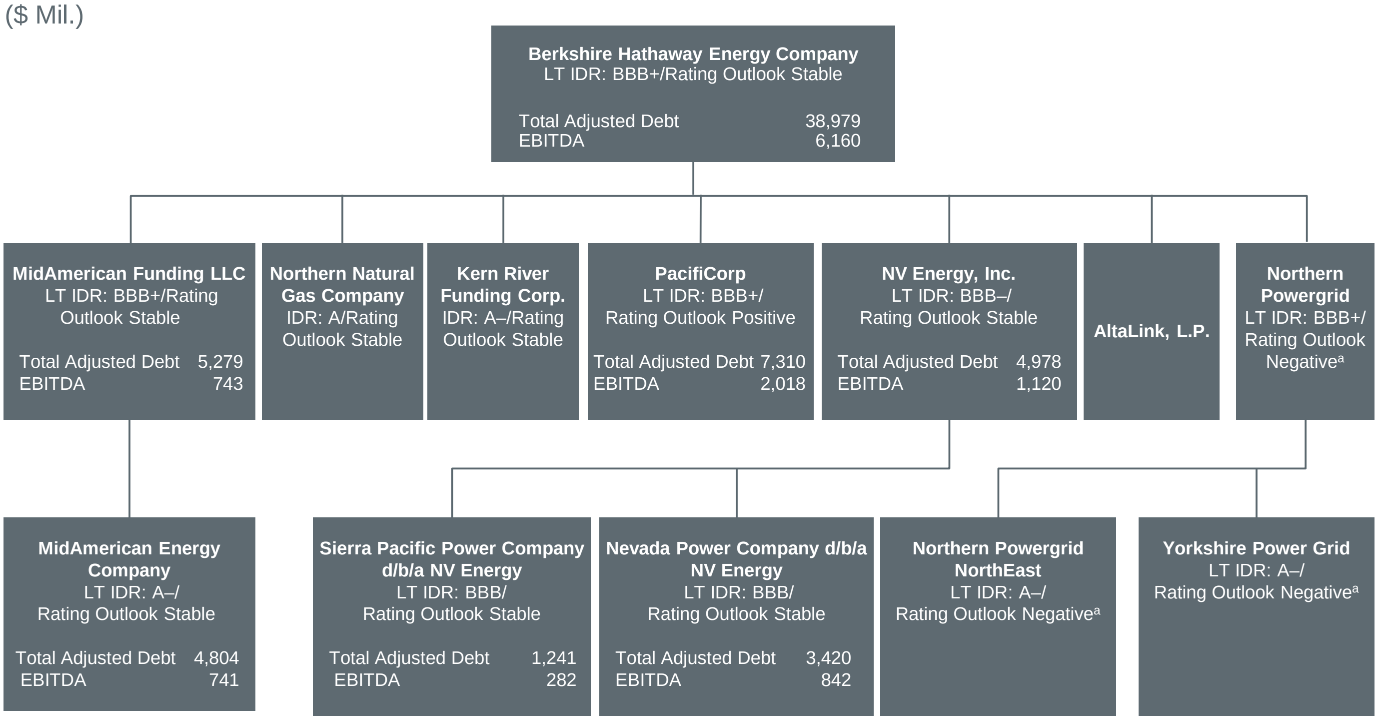
PPW is considering the feasibility, costs and benefits of joining the California Independent System Operator organization as a participating transmission owner. The analysis is expected to be completed during summer 2015 and, if PPW decides to move forward, would be subject to stakeholder review and input and regulatory approvals.

Strong Corporate Parent

PPW is a wholly owned indirect subsidiary of BHE, which in turn is majority owned by BRK. Ownership of BHE by BRK is viewed favorably by Fitch, as dividend retention affords BHE greater flexibility in managing operating company growth, dividends and capital structure than other investor-owned utilities. Ring-fence provisions at PPW, including a special purpose entity and a nonrecourse structure to limit PPW exposure to BHE liabilities, are designed to preserve credit quality.

Organizational Structure

Organizational and Debt Structure
($ Mil.)



[a]Rated by Fitch EMEA. LT IDR – Long-term Issuer Default Rating. IDR – Issuer Default Rating.
Source: Company Reports, Fitch analysis.
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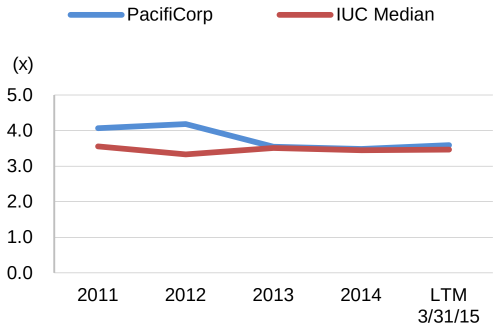
Definitions

- FFO-Adjusted Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- FFO/Debt: FFO divided by gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock.

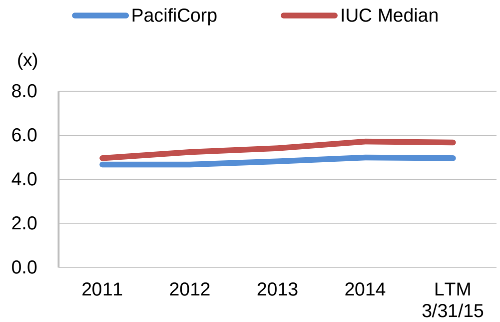
Key Metrics

Total Adjusted Debt/Op. EBITDAR



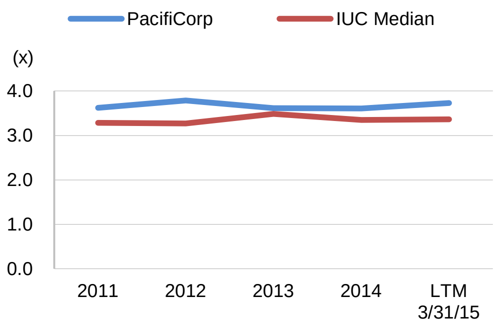
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



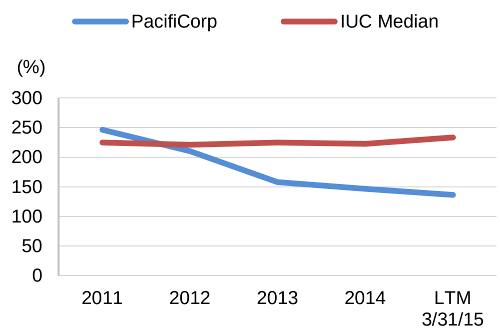
Source: Company data, Fitch.

FFO-Adjusted Leverage



Source: Company data, Fitch.

Capex/Depreciation



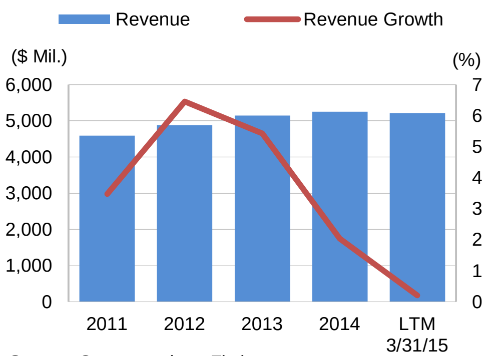
Source: Company data, Fitch.

Company Profile

PPW is an integrated electric utility with operations spanning six states throughout portions of the U.S. Rocky Mountains and the Pacific Northwest. PPW owns net 11,136 megawatt of generating capacity, and 60% of its 2014 output was coal-fired, with the remainder supplied via natural gas (16%), hydroelectric (5%), wind or other (5%) and purchased power (14%). Utah, Oregon and Wyoming account for approximately 85% of electricity sold to PPW retail customers by jurisdiction. During 2011–2014, revenue, operating income and net income logged compound annual growth rates of 4.6%, 6.2% and 7.9%, respectively. Load growth in 2015 is expected to be in the 0.5%–1% range.

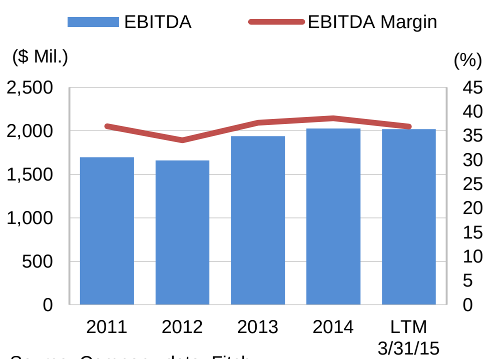
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

Financial Summary — PacifiCorp

(IDR: BBB+/Rating Outlook Positive)					LTM Ended
($ Mil., as of March 31, 2015)	2011	2012	2013	2014	2015
Fundamental Ratios (x)					
Operating EBITDAR/(Gross Interest Expense + Rents)	4.2	4.3	4.9	5.2	5.1
FFO Fixed-Charge Coverage	4.7	4.7	4.8	5.0	5.0
Total Adjusted Debt/Operating EBITDAR	4.1	4.2	3.5	3.5	3.6
FFO/Total Adjusted Debt (%)	27.6	26.4	27.7	27.7	26.8
FFO-Adjusted Leverage	3.6	3.8	3.6	3.6	3.7
Common Dividend Payout (%)	99.5	37.5	73.3	103.9	99.7
Internal Cash/Capex (%)	72.0	105.9	98.7	79.3	89.1
Capex/Depreciation (%)	246.5	210.3	157.8	146.8	136.4
Return on Equity (%)	7.6	7.2	8.9	9.0	9.1
Profitability					
Revenues	4,586	4,882	5,147	5,252	5,214
Revenue Growth (%)	3.5	6.5	5.4	2.0	0.2
Net Revenues	2,950	3,064	3,223	3,255	3,245
Operating and Maintenance Expense	1,103	1,242	1,114	1,057	1,052
Operating EBITDA	1,695	1,661	1,939	2,026	2,018
Operating EBITDAR	1,713	1,675	1,955	2,042	2,034
Depreciation and Amortization Expense	611	640	675	726	736
Operating EBIT	1,084	1,021	1,264	1,300	1,282
Gross Interest Expense	392	380	379	379	379
Net Income for Common	553	534	682	698	677
Operating Maintenance Expense % of Net Revenues	37.4	40.5	34.6	32.5	32.4
Operating EBIT % of Net Revenues	36.7	33.3	39.2	39.9	39.5
Cash Flow					
Cash Flow from Operations	1,636	1,627	1,553	1,570	1,570
Change in Working Capital	121	170	34	(10)	5
Funds from Operations	1,515	1,457	1,519	1,580	1,565
Dividends	(552)	(202)	(502)	(725)	(675)
Capex	(1,506)	(1,346)	(1,065)	(1,066)	(1,004)
FCF	(422)	79	(14)	(221)	(109)
Net Other Investment Cash Flow	(23)	4	16	(13)	(35)
Net Change in Debt	463	(41)	15	207	(16)
Net Equity Proceeds	—	—	(40)	—	—
Capital Structure					
Short-Term Debt	688	—	—	20	210
Total Long-Term Debt	6,234	6,882	6,878	7,054	7,054
Total Debt with Equity Credit	6,922	6,882	6,878	7,074	7,264
Total Adjusted Debt with Equity Credit	6,972	7,009	6,926	7,120	7,310
Total Hybrid Equity and Minority Interest	21	21	1	1	1
Total Common Shareholder's Equity	7,271	7,603	7,785	7,754	7,438
Total Capital	14,214	14,506	14,664	14,829	14,703
Total Debt/Total Capital (%)	48.7	47.4	46.9	47.7	49.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.1	0.1	0.0	0.0	0.0
Common Equity/Total Capital (%)	51.2	52.4	53.1	52.3	50.6

IDR – Issuer Default Rating.
Source: Company data, Fitch.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.